Inglis

ANNUAL REPORT 1972

FINANCIAL HIGHLIGHTS

	1972	1971*
Sales	**$78,074,000**	$65,137,000
Net profit	**$ 2,616,000**	$ 1,327,000
Per share	**$ 1.99**	$ 1.01
Depreciation and amortization	**$ 1,152,000**	$ 1,386,000
Preproduction expenses written off	**$ 451,000**	$ 452,000
Working capital	**$14,006,000**	$10,654,000
Shareholders' equity	**$16,754,000**	$14,138,000
Per share	**$ 12.73**	$ 10.74

*Restated—see note 1 to financial statements.

JOHN INGLIS CO. LIMITED
14 Strachan Ave., Toronto, Canada M6K 1W6

Directors

Charles-Émile Bélanger
Sidney L. Boyar
John A. Boyd
Air Marshal Hugh Campbell, C.B.E., C.D.
James D. Irving
Conde G. Maiden
J. Geoffrey Notman, O.B.E.
Douglas J. Peacher
R. Barrett Simpson
Humphrey B. Style
Robert C. Upton
Robert B. Willemin

Officers

Robert B. Willemin
Chairman of the Board

Conde G. Maiden
President and Chief Executive Officer

R. Barrett Simpson
Vice President—Finance, Treasurer and Secretary

William H. Minish
Vice President—Manufacturing, Stoney Creek Plant

Frank H. Henson
Vice President—Manufacturing, Toronto Plant

G. Hubert Morris
Vice President—Personnel and Industrial Relations

Paul F. Armbruster
Vice President—Sales and Marketing—Inglis

Edward J. VonArb
Vice President —Product Engineering

Donald H. Hobbs
Assistant Secretary

Bankers

Bank of Montreal

Transfer Agent and Registrar

Canada Permanent Trust Company
1901 Yonge St., Toronto M4S 1Y8
600 Dorchester Blvd. West, Montreal 101

Auditors

Clarkson, Gordon & Co., Chartered Accountants
Toronto-Dominion Centre, P.O. Box 251 Toronto M5K 1J7

REPORT OF THE BOARD OF DIRECTORS

To the Shareholders:

Your Directors present herewith the Annual Report of your Company for the year ended December 31, 1972.

Net sales for the year ended December 31, 1972 amounted to $78,074,000 compared to restated net sales of $65,137,000 for the year ended December 31, 1971, an increase of about 20%. Net profit for 1972 was $2,616,000 or $1.99 per share, as compared with restated net profit of $1,327,000 or $1.01 per share for 1971, an increase of 97%.

The improved results for the year are attributable to increased sales volume, and the effect of cost control and cost improvement programmes. Increased sales volume in all of the product lines manufactured by the Company was reflected in the increase in 1972 net sales over those of 1971. Although substantial progress was made in improving costs at the Stoney Creek refrigerator plant, refrigerator operations have not as yet reached a profitable level.

Sales volumes in the major appliance industry have increased in each of the last two years. All indications are that the favourable climate for continued growth will prevail through 1973.

The year's successful operations were made possible by the loyalty, support and efforts of the Company's employees; your Directors wish to record once again their appreciation.

On behalf of the Board,

ROBERT B. WILLEMIN	CONDE G. MAIDEN
Chairman of the Board	President and Chief Executive Officer

February 28, 1973.

JOHN INGLIS CO. LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET

DECEMBER 31, 1972 *(with comparative figures for 1971—restated)*

Assets	1972	1971
CURRENT ASSETS		
Accounts receivable	$ 9,744,000	$ 8,830,000
Inventories, valued at the lower of cost or market—		
Finished products	12,036,000	8,323,000
Materials and work-in-process	7,010,000	7,895,000
	19,046,000	16,218,000
Prepaid expenses	414,000	336,000
Total current assets	29,204,000	25,384,000
FIXED ASSETS—on basis of cost		
Land	424,000	424,000
Buildings	4,551,000	4,525,000
Equipment	9,952,000	8,768,000
	14,927,000	13,717,000
Less accumulated depreciation	7,094,000	6,468,000
	7,833,000	7,249,000
Unamortized tooling costs	469,000	512,000
	8,302,000	7,761,000
OTHER ASSETS		
Deferred preproduction expenses		451,000
	$37,506,000	$33,596,000

On behalf of the Board:

Robert B. Willemin, Director

Conde G. Maiden, Director

Liabilities

	1972	1971
CURRENT LIABILITIES		
Bank advances (note 2)	$ 453,000	$ 3,187,000
Short-term notes payable	1,000,000	2,500,000
Accounts payable, warranties and accrued charges	9,490,000	7,322,000
Income and other taxes payable	3,426,000	1,039,000
Deferred service contract revenue	829,000	682,000
Total current liabilities	15,198,000	14,730,000
PROVISION FOR WARRANTY	1,100,000	600,000
DEFERRED INCOME TAXES	454,000	128,000
DEBENTURE, due March 31, 1973 (note 3)	4,000,000	4,000,000

Shareholders' Equity

	1972	1971
CAPITAL—		
Authorized 1,500,000 shares of no par value		
Issued 1,315,831 shares	11,814,000	11,814,000
RETAINED EARNINGS	4,940,000	2,324,000
	16,754,000	14,138,000
	$37,506,000	$33,596,000

(See accompanying notes to financial statements)

JOHN INGLIS CO. LIMITED

For the year ended December 31, 1972 *(with comparative figures for 1971—restated)*

STATEMENT OF PROFIT AND LOSS

	1972	1971
Sales	$78,074,000	$65,137,000
Profit on operations before the undernoted	$ 7,384,000	$ 4,226,000
Less:		
Depreciation and amortization	1,152,000	1,386,000
Interest on long-term debt	260,000	330,000
Other interest expense	391,000	302,000
Preproduction expenses written off	451,000	452,000
	2,254,000	2,470,000
Profit before income taxes	5,130,000	1,756,000
Income taxes	2,514,000	898,000
PROFIT BEFORE EXTRAORDINARY ITEM	2,616,000	858,000
Add extraordinary item:		
Income tax credit (note 1)		469,000
NET PROFIT FOR THE YEAR	$ 2,616,000	$ 1,327,000
Earnings per share:		
Before extraordinary item	$ 1.99	$ .65
For the year	$ 1.99	$ 1.01

STATEMENT OF RETAINED EARNINGS

	1972	1971
RETAINED EARNINGS, at beginning of year:		
As previously stated	$ 2,665,000	$ 1,485,000
Adjustment to service contract revenue (note 1)	341,000	488,000
As restated	2,324,000	997,000
NET PROFIT FOR THE YEAR	2,616,000	1,327,000
RETAINED EARNINGS, at end of year	$ 4,940,000	$ 2,324,000

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1972	1971
WORKING CAPITAL, at beginning of year:		
As previously stated	$11,336,000	$ 8,288,000
Adjustment to service contract revenue (note 1)	682,000	488,000
As restated	10,654,000	7,800,000
SOURCE OF FUNDS:		
Operations—		
Net profit	2,616,000	1,327,000
Depreciation and amortization	1,152,000	1,386,000
Preproduction expenses written off	451,000	452,000
Deferred income taxes	326,000	429,000
Increase in long-term warranty provision	500,000	
	5,045,000	3,594,000
APPLICATION OF FUNDS:		
Additions to fixed assets (net)	1,693,000	740,000
RESULTING INCREASE IN WORKING CAPITAL	3,352,000	2,854,000
WORKING CAPITAL, at end of year	$14,006,000	$10,654,000

(See accompanying notes to financial statements)

NOTES TO FINANCIAL STATEMENTS December 31, 1972

1. In order to provide a better matching of income and expense, service contract revenue previously recognized at the time of sale is now being deferred over the life of the service contract. This change in the basis of accounting for service contract revenue has been given retroactive effect in the accounts with the result that retained earnings at January 1, 1971 have been reduced by $488,000 and the results of operations for the year ended December 31, 1971 have been restated as follows:

	Total	Per share
Reduction in sales and profit before income taxes	$194,000	
Reduction in income taxes	97,000	
Reduction in profit before extraordinary item	97,000	$.08
Increase in extraordinary item—income tax credit*	244,000	
Increase in net profit for the year	$147,000	$.11

*Arising from increase in loss carry forward at January 1, 1971 as a result of the $488,000 adjustment to retained earnings.

2. Accounts receivable and inventories have been pledged to the bank as security for the bank advances and short-term notes payable.

3. The outstanding debenture of $4,000,000 due March 31, 1973 is not included as a current liability because refinancing arrangements are under negotiation. The interest rate on the debenture is related to the 90 day money market rate and at December 31, 1972 the effective rate was 6½%.

4. The aggregate direct remuneration for the year paid or payable to directors and senior officers amounted to $406,000.

5. Based on the latest actuarial valuation of the Company's Pension and Retirement Plans, it is estimated that the unfunded obligation of the Company for pension benefits in respect of service by employees to December 31, 1972 is approximately $1,710,000. The increase of $480,000 over the previous year's estimate is mainly due to improved benefits. The obligation will be funded and absorbed against income by seventeen equal annual payments to the Trustee.

AUDITORS' REPORT

To the Shareholders of John Inglis Co. Limited:

We have examined the balance sheet of John Inglis Co. Limited as at December 31, 1972 and the statements of profit and loss and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in the basis of accounting for service contract revenue explained in note 1, with which we concur.

CLARKSON, GORDON & CO.
Chartered Accountants

Toronto, Canada, January 30, 1973.

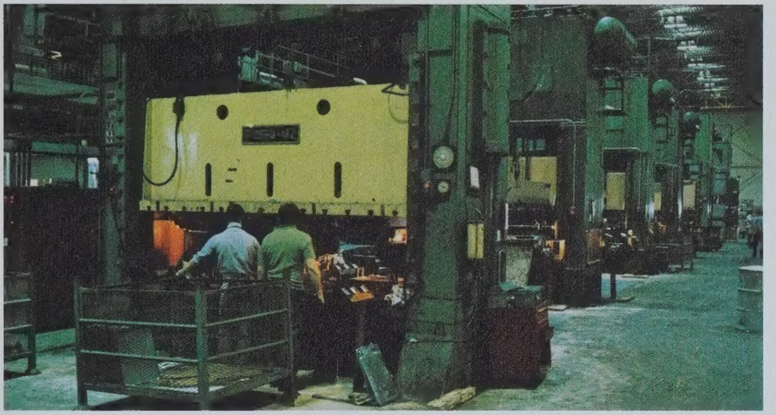
FIVE YEAR STATISTICAL REVIEW 1968-1972

(In Thousands of Dollars)

Operations	1972	1971	1970	1969	1968
Sales	$78,074	$65,137	$49,850	$47,815	$41,206
Profit (loss) before income taxes	$ 5,130	$ 1,756	$ (834)	$ 605	$ 806
Per cent to sales	6.6%	2.7%	(1.7)%	1.3%	2.0%
Net profit (loss) before extraordinary items*	$ 2,616	$ 858	$ (640)	$ 283	$ 377
Per cent to sales	3.4%	1.3%	(1.3)%	0.6%	0.9%
Per share	$ 1.99	$ .65	$ (.49)	$ .22	$ .34
Net profit (loss) for the year	$ 2,616	$ 1,327	$ (640)	$ 411	$ 845
Per cent to sales	3.4%	2.0%	(1.3)%	0.9%	2.1%
Per share	$ 1.99	$ 1.01	$ (.49)	$ .31	$ .76
Earned on shareholders' equity	16.9%	9.8%	(4.9)%	3.4%	8.4%
Depreciation on buildings and equipment	$ 719	$ 744	$ 759	$ 675	$ 615
Amortization of tooling	$ 433	$ 642	$ 593	$ 553	$ 316
Amortization of preproduction expenses	$ 451	$ 452	$ 452	$ 452	$ —
Deferred preproduction expenses	$ —	$ —	$ —	$ —	$ 468
Additions to buildings and equipment	$ 1,303	$ 430	$ 267	$ 912	$ 749
Additions to tooling	$ 390	$ 310	$ 235	$ 691	$ 402
Balance Sheet					
Working capital	$14,006	$10,654	$ 7,800	$ 5,332	$ 4,951
Ratio of current assets to current liabilities	1.92 :1	1.72 :1	1.76 :1	1.29 :1	1.39 :1
Land, buildings and equipment—net	$ 7,833	$ 7,249	$ 7,563	$ 8,055	$ 7,818
Unamortized tooling	$ 469	$ 512	$ 845	$ 1,202	$ 1,064
Long-term debt	$ 4,000	$ 4,000	$ 4,000	$ 2,000	$ 4,500
Shareholders' equity—					
Capital	$11,814	$11,814	$11,814	$11,814	$ 9,314
Retained earnings	4,940	2,324	997	1,637	1,226
	$16,754	$14,138	$12,811	$13,451	$10,540
Number of shares outstanding (in thousands)	1,316	1,316	1,316	1,316	1,107
Book value per share	$ 12.73	$ 10.74	$ 9.73	$ 10.22	$ 9.52
Non-Financial					
Number of employees (year end)	1,985	1,904	1,551	1,535	1,485
Number of shareholders (year end)	1,145	1,286	1,446	1,565	1,802

* Extraordinary items were income tax credits in 1968-1971 and profit on sale of land in 1968.

In 1972 the basis of accounting for service contract revenue was changed to defer the revenue over the life of the service contract; this change has been given retroactive effect and the figures for the years 1968 to 1971 have been restated accordingly.

1.


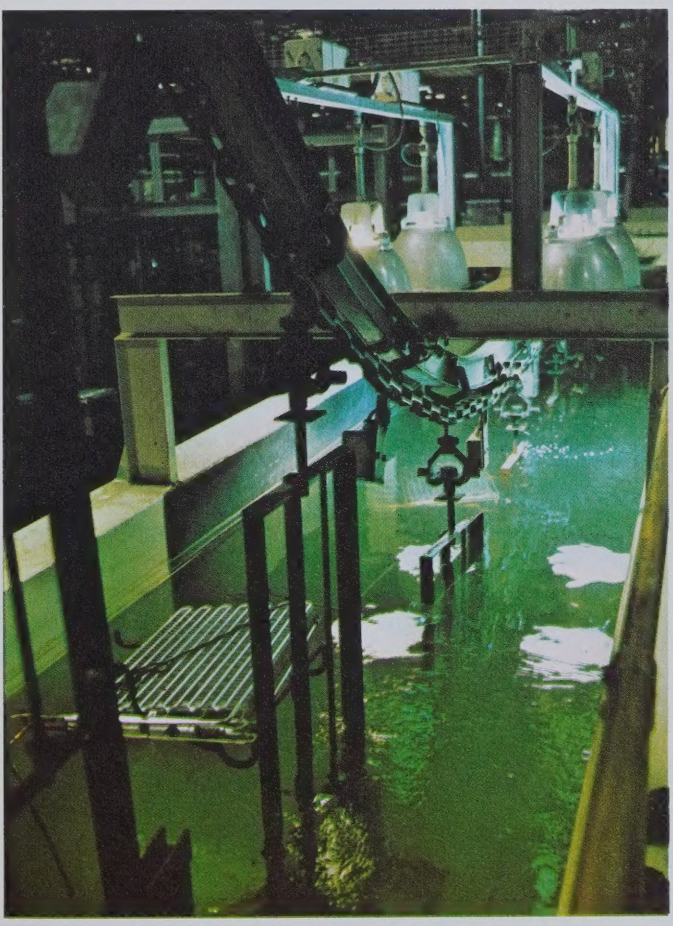
1. Main press shop at Toronto Plant with new 600 ton press in foreground.
2. Leak detection test tank for complete refrigerator systems charged with high pressure dry air.
3. Modern material handling equipment in the parts storage area.
4. Latest Ransburg bell electrostatic equipment for automatic spray painting of refrigerator parts.

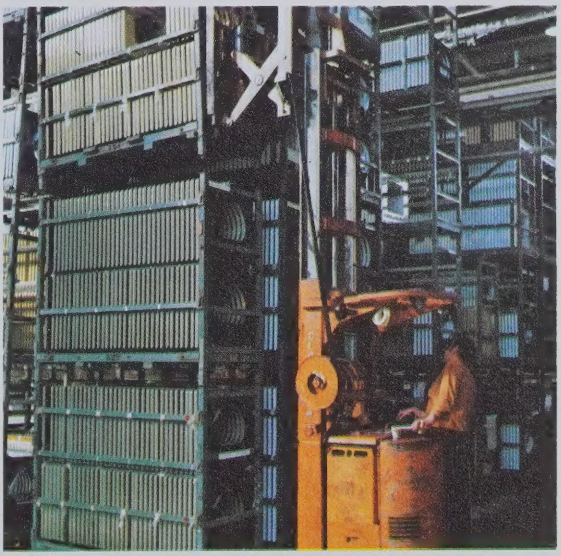
Inglis

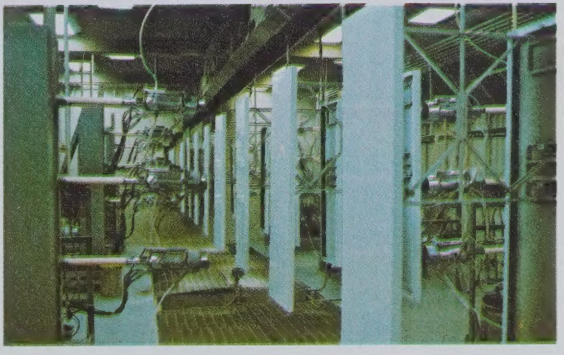
Manufacturing Advances

The outstanding quality of Inglis appliances and resulting consumer confidence have meant continued growth and progress for the Company. In the interest of maintaining this growth, considerable attention was given to the manufacturing areas in 1972. A continuing Cost Improvement Programme aimed at achieving more efficient operations and greater savings in each area of Company activity has directly resulted in a marked improvement.

At the Toronto Plant, a new computerized system for close control of production parts inventory increased the Company's effectiveness in adjusting production to suit any change within the Company's markets.

2.


3.


4.


1.

2.

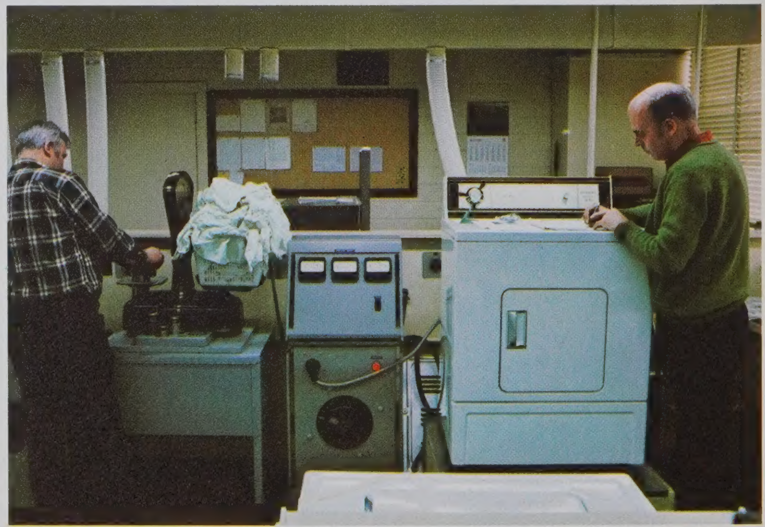
An all weather extension to the receiving docks with improved handling and inspection facilities was completed. A consolidated parts storage programme was brought into effect and punch press capacity was increased by twenty per cent.

At Stoney Creek where Inglis has a modern and very progressive plant, a task force formed early in 1972 with the objective of attaining increased productivity and lower costs through greater manufacturing and purchasing efficiency, successfully completed its assignment and the Company immediately moved forward with the recommendations. A major addition of 80,000 square feet to the Stoney Creek Plant scheduled for completion in 1973 will provide more efficient and improved production capacities.

Considerable time and money was spent in the upgrading of environmental protection equipment at both the Stoney Creek and Toronto Plants. Certainly an indication of the Company's continuing efforts and concern for the health and well being of all.

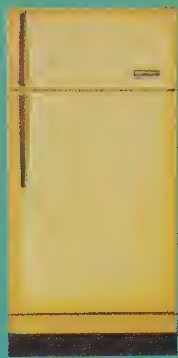
1. Automatic Washers—
& Base and mechanism assembly
2. A final assembly operation
3. Final testing of each automatic washer before shipment.
4. Section of Lab used for customer acceptance audit.

3.

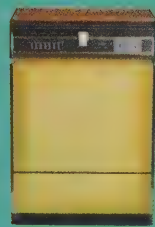


4.

Some of our products



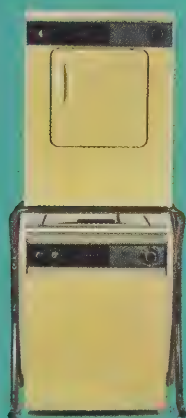
Refrigerator



Dishwasher

Trash masher Compactor

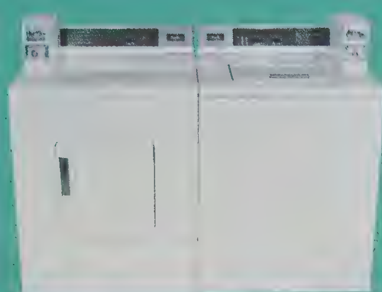
Side-by-Side Refrigerator



Compact Washer and Dryer

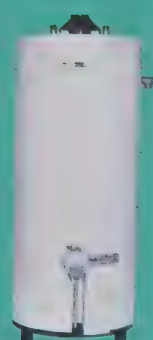
Wash'n Spin Washer

Automatic Washer and Dryer



Commercial Washer and Dryer

Twin Tub Washer



Water Heater

Inglis

JOHN INGLIS CO. LIMITED 14 Strachan Ave., Toronto M6K 1W6

Corp report

manufacturers and distributors of:

- automatic washers
- automatic dryers
- wringer washers — twin tub washers
- refrigerators and freezers
- dehumidifiers
- dishwashers
- Trash Masher compactors
- water heaters
- coin operated laundry equipment
- fuel pumps
- commercial icemakers

INTERIM REPORT 1972

6 months ended June 30, 1972

Inglis

John Inglis Co. Limited, Toronto 150, Canada

INTERIM REPORT 1972

Statement of profit and loss

	Period of Three Months Ended June 30	
	1972	1971
Sales	$18,701,000	$13,800,000
Profit before undernoted items	$ 1,825,000	$ 571,000
Deduct:		
Depreciation and amortization	295,000	319,000
Interest	202,000	207,000
Preproduction expenses written off	114,000	114,000
	611,000	640,000
Profit (loss) before income taxes	1,214,000	(69,000
Provision for income taxes (credit)	594,000	(37,000
Net profit (loss) for the period	$ 620,000	$ (32,000
Per share	$ .47	$ (.02

Statement of source and application of funds

	1972	1971
Funds were provided from:		
Operations:		
Net profit (loss) for the period	$ 620,000	$ (32,000
Depreciation and amortization	295,000	319,000
Deferred preproduction expenses written off	114,000	114,000
Deferred income taxes	78,000	(37,000
Increase in warranty provision	56,000	—
	1,163,000	364,000
Funds were expended on:		
Additions to fixed assets	266,000	57,000
Resulting in an increase (decrease) in working capital of	897,000	307,000
Working capital at beginning of period	12,109,000	7,938,000
Working capital at end of period	$13,006,000	$ 8,245,000

NOTE: The foregoing financial statements are unaudited.

Inglis

Period of Six Months Ended June 30	
1972	1971
$33,960,000	$25,170,000
$ 3,364,000	$ 563,000
561,000	621,000
346,000	393,000
228,000	228,000
1,135,000	1,242,000
2,229,000	(679,000)
1,092,000	(360,000)
$ 1,137,000	$ (319,000)
$ .86	$ (.24)

$ 1,137,000	$ (319,000)
561,000	621,000
228,000	228,000
55,000	(360,000)
112,000	—
2,093,000	170,000
423,000	213,000
1,670,000	(43,000)
11,336,000	8,288,000
$13,006,000	$ 8,245,000

INTERIM REP

Statement of profit and loss

Sales. . . . .

Profit before undernoted items . . . .

Deduct:

Depreciation and amortization. . . . .

Interest . . . .

Preproduction expenses written off . . . .

Profit (loss) before income taxes . . . .

Provision for income taxes (credit). . . . .

Net profit (loss) for the period . . . .

Per share . . . .

Statement of source and applicati

Funds were provided from:

Operations:

Net profit (loss) for the period . . . .

Depreciation and amortization . . . .

Deferred preproduction expenses written off

Deferred income taxes . . . .

Increase in warranty provision . . . .

Funds were expended on:

Additions to fixed assets . . . .

Resulting in an increase (decrease) in working capi

Working capital at beginning of period . . . .

Working capital at end of period . . . .

NOTE: The foregoing financial statements are unaudited.

To the shareholders:

Sales by the Company in the quarter ended June 30, 1972 were $18,701,000, as compared to sales of $13,800,000 in the corresponding period last year. Sales for the six month period ended June 30, 1972 were $33,960,000, as compared to sales of $25,170,000 reported for the first six months of 1971.

Operations resulted in a net profit of $620,000 or 47¢ per share for the 1972 second quarter and $1,137,000 or 86¢ per share for the 1972 first half, as compared to net losses of $32,000 and $319,000, respectively, for the corresponding periods of 1971.

The improved profit performance for the 1972 first half, as compared with the first half of 1971, was the result of increased sales volume, some upward adjustments in selling prices, and increased efficiency through longer factory production runs. As previously reported, we have made substantial progress this year toward operating our factories at more level production rates, which we expect will result in smaller fluctuations in earnings between the first and second halves of the year. As a result, we do not anticipate that earnings in the second half of 1972 will show the increase over first half earnings that has been experienced in prior years.

Consumer demand for appliances remains strong and, if it continues, we expect the Company's results for the full year will reflect significant improvement over those reported for 1971.

C. G. Maiden

Conde G. Maiden
President and Chief Executive Officer

August 2, 1972